NASA Procedural Requirements

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Subject: Accrual Accounting - Revenues, Expenses, and Program Costs

Responsible Office: Office of the Chief Financial Officer

Chapter 3. Accrued Revenues

3.1 Purpose

3.1.1 This chapter sets forth the accounting policy for accrued revenues. Revenues are defined as inflows of resources the Federal Government demands, earns, or receives by donation. Revenue comes from exchange transactions and non-exchange transactions.

3.1.2 Revenues are a source of financing but do not encompass all financing sources. Other financing sources result from the use of appropriated funds, the receipt of transfers, and the recording of imputed financing. Appropriations are used in the course of regular operations when goods and services are received or provided, i.e., when liabilities are established and cost incurred. An intragovernmental transfer of cash or of a capitalized asset without reimbursement changes the resources available to both the receiving entity and the transferring entity. The receiving entity should recognize a transfer-in as an additional financing source in its result of operations. Similarly, imputed financing is the result of receiving the benefit of services from another agency without reimbursing the full cost. Since NASA is required to recognize the cost of the services received but not fully reimbursed, imputed financing sources offset the effect of imputed cost on the net results of operations.

3.1.3 NASA identifies exchange revenue separately from non-exchange revenue and other financing sources in order to report the net cost of operating programs and provide the accounting foundation to report the cost of output measures for performance evaluations. Exchange revenues, non-exchange revenues, and other financing sources are recognized and measured differently under the accrual method of accounting. Exchange revenue is matched with the cost of outputs of goods and services sold to the public to enable NASA to report the cost of not charging the full cost of those goods and services. Non-exchange revenue and other financing sources are not matched with costs because they are not earned in the operations process.

3.2 Roles and Responsibilities

NASA is responsible for recognizing and measuring revenues in a manner which provides information to enable calculation of the net cost of programs, support performance evaluation of programs, and expose underpriced programs.

Note: See Chapter 1, Paragraph 1.2 for specific requirements.

3.3 Agency Requirements

3.3.1 The accrual method of accounting applies to revenue, however classified, exchange or non-exchange. SFFAS 7 requires Federal agencies to recognize revenue when something of value is provided to the public or another government entity at a price or when a legally enforceable claim arises. NASA shall:

a. Enter all accounting transactions for revenue in the core financial accounting system.

b. Record revenue within or as close as possible to the period in which it is earned to match revenue with the cost of goods and services.

c. Record revenue for the full cost of goods or services provided to the public or other entities in accordance with NPR 9090.1.

d. Distinguish between exchange and non-exchange revenue. This requirement supports the effort to identify the net cost of programs.

e. Recorded revenue against the fund, TAS, WBS, Object Class, general ledger account, and other classifications in accordance with NASA, Treasury, and OMB guidelines.

3.4 Revenue Recognition, Types, and Sources.

3.4.1 Revenue from exchange transactions should be the actual price received or receivable under the established pricing arrangement. Non-exchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities). Revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair value of the contribution.

3.4.2 Exchange Revenue. Exchange revenue and gains are inflows of resources to NASA that have been earned. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Revenue from specific types of exchange transactions should be recognized as follows:

a. Provision of Goods or Services. NASA is reimbursed for the cost of goods and services provided to the public or another agency. Each party receives and sacrifices something of value, so NASA recognizes the revenue as exchange revenue.

(1) When goods or services are provided to the public or another Federal Government entity (except for specific goods or services produced to order under a reimbursable agreement, contract, or other type of order), revenue should be recognized when the goods or services are provided.

(2) When specific goods or services are made or produced to order under a reimbursable agreement, contract, or other type of order (either short or long term), revenue should be recognized monthly based on the ratio the costs incurred to date on that order in relation to the total costs estimated to be incurred when the order is completed. If a loss is probable (more likely than not), revenue should continue to be recognized in proportion to the estimated total cost and costs should continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract.

(3) When services are rendered continuously over time or the right to use an asset extends continuously over time, revenue should be recognized in proportion to costs incurred or the use of the asset, as appropriate.

b. Asset Sales. When an asset other than inventory is sold in accordance with NPR 4300. NASA Personal Property Disposal Procedural Requirements, Centers shall recognize any material gain (or loss) when the asset is delivered to the purchaser. This may result in an adjustment to the gain or loss previously recognized if the asset has already been removed from service.

c. Interest Earned on Treasury Securities Purchased Using Trust Funds and Special Funds. Exchange revenue may provide the predominant source of some trust and specialty fund balances. In such exceptional cases, the interest should be classified in the same way as the predominant source of funds, i.e., as exchange revenue.

3.4.3 Non-exchange Revenue. Non-exchange revenues are inflows of resources the Federal Government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable.

a. Donations may be financial resources, such as cash or securities, or nonfinancial resources, such as land or buildings. NASA may accept only those donations that are allowed under the provisions of 51 U.S.C. § 20113(d). Within NASA, revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair market value of the contribution. Heritage assets, or other stewardship property, plant, and equipment, are expensed if purchased. Donated heritage assets do not result in revenue recognition.

b. Fines and Penalties. Fines and penalties are monetary requirements imposed on those who violate laws or administrative rules. Nothing of value is received or sacrificed in return for the payment. The collection is a custodial transaction if the payment is transferred to the general fund or the agency legally retaining the funds. The funds are recognized as non-exchange revenue for the agency retaining the funds.

3.4.4 Other Financing Sources. Other financing sources provide inflows of resources that increase results of operations during the reporting period and include appropriations used, transfers of assets from other Federal Government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of NASA's assets to other Federal Government entities. Unexpended appropriations are recognized separately in determining net position but are not financing sources until used.

3.4.5 Gains. When a transaction with the public or another Federal Government entity at a price is unusual or nonrecurring, a gain should be recognized rather than revenue so as to differentiate such transactions. Gains result from the sale, exchange, trade, or disposition of Government assets (with the exception of inventory). As a general rule, any difference between the sales proceeds in excess of the book value of the assets is recognized as a gain when the asset is sold. This general rule applies to the sale of PP&E, receivables, investments, and other assets where the selling entity is entitled to retain the proceeds of the sale. In addition, the distinction between revenues and gains is a matter of classification in the general ledger accounts and their presentation in financial statements. Revenues are commonly reported at their gross amount while gains are shown net of related book value.

Note: See NPR 9250.1 for more guidance related to PP&E and NPR 9690.1 for more guidance related to investments.

3.4.6 Price vs. Cost. Price is the amount charged to provide a good or service to the public or another agency. Cost is the financial value of resources expended to provide a good or service to the public or another agency. When cost exceeds price, the taxpayer provides the balance of resources required to provide the good or service. When price exceeds cost the excess is reported as gains, retained to support business-type activities, or transferred to the general fund for custodial activities.

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